

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MURKOWSKI. Mr. President, I ask unanimous consent that I may speak as in morning business for 7 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### ASIAN FINANCIAL CRISIS

Mr. MURKOWSKI. Mr. President, last Thursday, before Secretary of Treasury Robert Rubin began testifying before the Senate Finance Committee, it is interesting to reflect on the status of the Japanese yen. At that time, it was trading at 141 to the dollar. During the hearing, I had an opportunity to ask Secretary Rubin whether or not the United States would intervene to stabilize the yen, and Secretary Rubin correctly observed that with the hundreds of billions, if not trillions of dollars and yen trading around the world on a daily basis, central bank intervention can only stabilize a currency for a very short period of time. It is further interesting to note, upon the completion of the Secretary's comments the yen fell to 144 to the dollar. So clearly there is a question of confidence.

On Friday, the Government of Japan announced that the Japanese economy had met the standard definition of a recession; that is, two-quarters of negative growth. Unemployment in Japan is at its post-1950s record of 4.1 percent, which in Japan is extraordinarily high, with youth unemployment exceeding 9 percent.

As of this morning, the yen has fallen through the 146 level. The Japanese stock market was within 2 percent of a 52-week low. Moreover, the stock markets—Hong Kong, India, Malaysia, South Korea and Thailand—have all hit 52-week lows. Mr. President, it is clear that Asia has yet to turn itself around from the crisis that started well over a year ago, and the biggest reason Asia is tumbling is because the Japanese Government has failed to face up to the realities of its crumbling economy, especially the dismal state of its banking sector. So long as Japan fails to take decisive action in the banking sector, the yen is very likely to plunge further as lack of confidence prevails, carrying with it the threat to all Asian economies of deflation and further currency devaluations. I think you would agree that all Americans should be very concerned about this crisis in Asia, and particularly in Japan.

Japan is the second largest economy in the world and imports more than \$66 billion in goods from the United States. Moreover, Japan is a major importer from the rest of Asia, and if its economy continues in recession, the rest of Asia will remain mired in economic decline which could lead to political instability, not unlike what we recently witnessed in Indonesia.

The reality of the yen decreasing in value is very simple, Mr. President.

Eighteen months ago, the yen was about 80. A year ago, it was a little over 100. At that time, it took 80 yen to buy a U.S. lamp. Today, it takes 146 yen. As a consequence, we are not selling any lamps or much of anything else in Japan.

Alan Greenspan recently noted:

Without first fixing its banking sector, Japan has little hope of fueling economic recovery.

An editorial in today's New York Times, commenting on Japan's recession, states:

The first priority for Japanese officials must be to save the country's sick banking system.

Ever since the so-called bubble economy burst in Japan 7 years ago, the banking system has been carrying bad loans on its books from the days of heady land and financial speculation.

As a former banker with 25 years of experience in commercial banking, I can tell you what happens when these loans become nonperforming. When the payments cannot be made, of course, the interest can't be paid as well. More often than not, the bank simply adds the past-due interest to the principal and brings the loan current, and the loan appears current on the books when, in reality, it is a nonperforming loan and, in many cases, a loss.

Since 1991, the Japanese Government has promised time and time again to reform financial sectors within the country, but it has yet to fulfill its promise. Instead, I believe that the Government has always believed it could say one thing and do another or, in this case, simply rely on exports to stimulate the economy. The reality is that it will not and has not worked in the past.

In January, Japan's Ministry of Finance announced that the number of problem loans was \$577 billion, of which at least \$85 billion had already gone bad or were insolvent. The remaining, nearly \$500 billion, had the potential to go bad as well. Some analysts believe the value of the problem loans today in Japan is closer to \$700 billion.

Following this report, the Japanese Government announced a large bank bailout, but since then almost nothing has been done to implement it. The sick banks stay open and the economy continues to hemorrhage.

In Japan today, short-term interest rates are at their lowest level ever since economic statistics have been recorded. Short-term loans carry interest rates—interest rates, Mr. President—below 1 percent. Imagine that the yield on a long-term, 10-year Japanese Government bond is an incredible 1.3 percent. With interest this low, it is hard to imagine why Japan is sinking into a recession.

Yet, in a recent poll, 95 percent of Japanese companies interviewed complained about the difficulty of receiving loans from Japanese banks. The explanation is simple: The banks are fearful of making new loans. There is a credit crunch in Japan because of the

overhang of all the bad debt that is being carried on the banks' books already. So long as this overhang continues, Japan will continue to fall further into recession.

Mr. President, the Japanese can learn a valuable lesson from our bad experience with the failed savings and loans in the United States. When the S&L crisis first began to be felt in 1985, it was debated at great length here on this floor. Congress and the President refused to face the crisis and did not provide the sufficient funds to close the failed S&Ls. This only prolonged the crisis and ballooned the cost of the bailout to the taxpayer.

When we first recognized the difficulty with the failing savings and loans, the estimated loss at that time was \$25 billion to \$30 billion. But we in the United States did not take our medicine in a timely manner and the S&L bailout ultimately cost the taxpayers of this country more than \$200 billion.

We finally did face the S&L problem. The longer we put it off, the more it cost. We created the Resolution Trust Corporation. We closed down the failed banks and consolidated others. After several years, we finally put the S&L crisis behind us, because we recognized that keeping sick financial institutions open only exacerbates the problem and costs more to the taxpayer.

By contrast, the Japanese banks and their regulators have for years tried to hide their financial problems. In order to help cover up the insolvency problems of Japanese banks, just before the end of the fiscal year, in March, the Ministry of Finance changed the accounting rules affecting the so-called BIS ratio, a ratio used by international markets as a bellwether of financial health of the banks. This ratio says that shareholder equity—or assets minus liabilities—should at least equal 8 percent of the weighted assets, or typically the outstanding loans.

The changes allowed the banks to use the purchase price of their stock portfolios as the asset value when the stocks' prices have fallen. Since many of these stocks were bought in the heyday of the Japanese bubble economy, this enabled the Japanese banks to look healthy when, in fact, they were sick. Indeed, they are very sick, Mr. President.

Moreover, the Government attempted to manipulate the end-of-March stock prices by buying up shares on the open market. Neither of these actions suggest that the Japanese Government is serious about making banking changes in conformity with good accounting practices.

Until Japan faces up to its banking crisis, things are going to get worse, not only in Japan but throughout Asia, because of the importance of the Japanese economy to the rest of Asia.

Another looming threat to Asia lies in China which also faces a seriously dangerous banking situation. I was over in Beijing and Shanghai towards

the end of the year. It is amazing to see the number of huge high-rises with very little occupancy as they attempt to negotiate the rent to a level to get people in them, regardless of if it makes financial sense.

By some estimates, China has as much as \$250 billion in doubtful loans. The Government-controlled Chinese banking system has been directing funds to favored companies regardless of the economics. In China's case, 70 percent of the state-owned banking loans go to inefficient and near-bankrupt state-owned enterprises. The Government is attempting to encourage foreign ownership coming into China, but there is a great reluctance on the part of U.S. firms to come in and share the debt associated with those opportunities.

In any event, Mr. President, as a result, an estimated three out of four state commercial banks are now believed to be insolvent in China. China has announced their intention to reform their banking system, but with the Asian economy weakening and Japan in recession, China may wait too long to make the tough changes, and then those changes become that much tougher.

In the end, we could find the two largest economies in Asia in recession, and I think this is very likely. My experience in finance tells me that when you have bad financial news, if you can take the hit up front and get on with it, as opposed to bearing it and putting it off, you will be much better off. That is not what is happening in Asia in either the case of China or Japan. There is a great reluctance to face up to the realities and take the medicine to change the banking system and get them back on a functional basis. This would shore up the economy in Asia.

Finally, Mr. President, our own U.S. economy is, more than ever, linked to the world economy. So I can only hope that the Japanese Government and the Chinese Government will accept the problems in their system and make the necessary changes before the cost becomes too great, before the cost affects the U.S. economy and the U.S. taxpayer.

Mr. President, neither Japan nor China is going to survive this crisis merely by devaluing their currency and trying to export their way out of their economic problems. When we see both countries taking serious steps to address their failed financial institutions, as they are currently structured, and bringing greater transparency to their banking systems, then at last we will know that Asia is beginning to turn the corner.

Mr. President, I suggest they start now without further delay.

I thank the Chair and suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MURKOWSKI. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### NATIONAL TOBACCO POLICY AND YOUTH SMOKING REDUCTION ACT

The PRESIDING OFFICER. The clerk will report the pending business.

The legislative clerk read as follows:

A bill (S. 1415) to reform and restructure the processes by which tobacco products are manufactured, marketed, and distributed, to prevent the use of tobacco products by minors, to redress the adverse health effects of tobacco use, and for other purposes.

The Senate resumed consideration of the bill.

Pending:

Gregg/Leahy amendment No. 2433 (to amendment No. 2420), to modify the provisions relating to civil liability for tobacco manufacturers.

Gregg/Leahy amendment No. 2434 (to amendment No. 2433), in the nature of a substitute.

Gramm motion to recommit the bill to the Committee on Finance with instructions to report back forthwith, with amendment No. 2436, to modify the provisions relating to civil liability for tobacco manufacturers, and to eliminate the marriage penalty reflected in the standard deduction and to ensure the earned income credit takes into account the elimination of such penalty.

Daschle (for Durbin) amendment No. 2437 (to amendment No. 2436), relating to reductions in underage tobacco usage.

Reed amendment No. 2702 (to amendment No. 2437), to disallow tax deductions for advertising, promotional, and marketing expenses relating to tobacco product use unless certain requirements are met.

Mr. MURKOWSKI. Mr. President, I ask unanimous consent, on behalf of the leader, that at 5 p.m. today the Senate proceed to a vote on or in relation to the Reed amendment No. 2702 regarding tobacco advertising. I further ask unanimous consent that Senator MCCAIN have 5 minutes and Senator REED have 5 minutes for closing remarks just prior to the vote.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DORGAN addressed the Chair.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. DORGAN. Mr. President, a couple of weeks ago a couple of Members of Congress came to the floor of the Congress to announce Bob Hope's death. Bob Hope was having breakfast in California at the time. This weekend, we had some legislators talking about the tobacco bill and predicting that the tobacco bill was dead. Well, the tobacco bill, or the tobacco legislation, that is being debated by the U.S. Senate is not exactly having breakfast—clearly, this has been a struggle to get a piece of legislation through the Senate dealing with the tobacco issue—but, the tobacco bill is not dead by any means. I hope that those who tell the American people that the Senate cannot pass a tobacco bill will understand that the Senate fully intends to pass legislation dealing with tobacco.

I want to describe just for a moment why I think those who predict its death are wrong, and why those who call this a bad bill are wrong, and why those who believe that Congress will eventually not act on tobacco are wrong.

Let me go back to the start of this issue. Why are we debating a tobacco bill? Why tobacco legislation? Simply put, it is because we now know things we did not know 25, 50, and 100 years ago about tobacco. We know that tobacco can kill you. The use of tobacco, we know, causes from 300,000 to 400,000 Americans a year to die from smoking and smoking-related causes.

Tobacco is a legal product and will remain a legal product. But we also know that it is illegal for kids to smoke, and we know that tobacco companies have targeted our children to addict them to nicotine.

The majority leader this weekend said, "Well, the tobacco bill is so bad that it should not be passed in its current form," and so on and so forth, and "If we can't get to a conclusion on it this week, we've got to move on." That is another way of saying, "We're going to leave this carcass in the middle of the road and just drive forward."

Fortunately, we learn a lot as we go along here in this country and in life. One of the things we ought to learn is, this piece of legislation dealing with tobacco, and especially dealing with the tobacco industry targeting America's children—we must resolve this issue; we must pass this legislation.

Let me describe for my colleagues some of the evidence that has been unearthed from depositions and from court suits, and so on, in recent months.

A 1972 document by a tobacco company, Brown & Williamson. It says:

It's a well-known fact that teenagers like sweet products. Honey might be considered.

Talking about sweetening cigarettes because teenagers like sweeter products—does that sound like a company that is interested in addicting kids to their product?

How about Kool—the cigarette Kool?

KOOL has shown little or no growth in share of users in the 26 [and up] age group.

This was written by a Brown & Williamson person. It is a memo from 1973. It says:

... at the present rate, a smoker in the 16-25 year age group will soon be three times as important to KOOL as a prospect in any other ... age category.

Talking about their 16-year-old customers for Kool cigarettes.

Marlboro's phenomenal growth rate in the past has been attributable in large part to our high market penetration among young smokers ... 15 to 19 years old ...

This is according to a report by a Philip Morris researcher.

You say that they are not targeting kids?

1974, R.J. Reynolds. A marketing plan submitted to the board of directors of the company says:

As this 14-24 age group matures, they will account for a key share of the total cigarette volume—in the next 25 years.